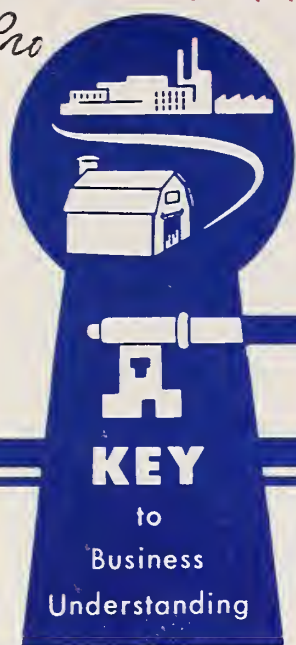


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Town and Country

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BUSINESS PROGRAM

What Marketing Means to You

Purpose: To give members an appreciation of the people, firms, and activities involved in the flow of goods and services from producer to consumer.

Marketing Defined

Marketing is the performance of business activities that direct the flow of goods and services from the producer to the consumer.

The Key Point Story

Ages ago in the day of Nomar* the cave man life was simple, but it was extremely hard, too.

Nomar supplied all his own needs and provided everything for his family by his own stealth and skill. Skin of beasts provided extra warmth for members of his family. Food was a hit-or-miss proposition.

Eventually Nomar's children's children's children saw that some people in the tribe were exceptionally good at doing certain tasks — let's say, chipping stone into finely fashioned arrowheads. This was specialization.

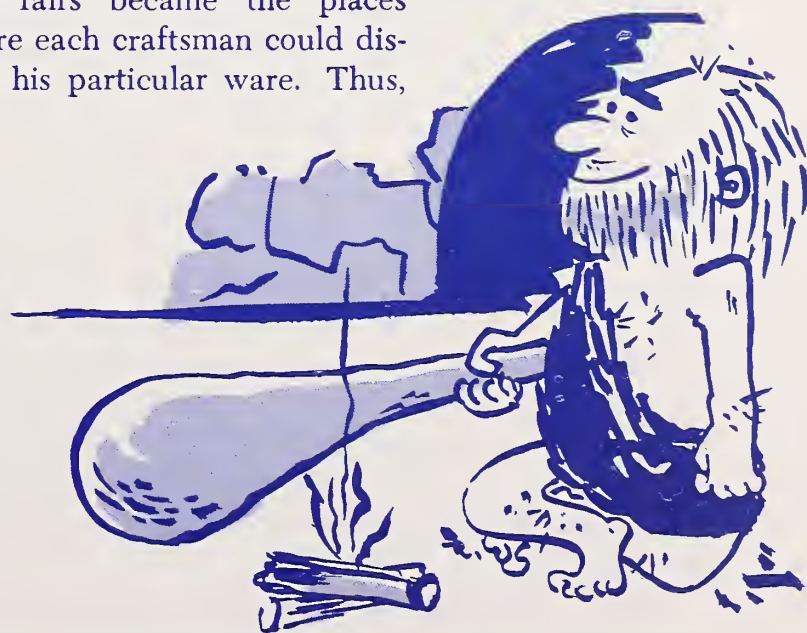
Specialization enabled people to develop skills. They became expert in these skills, because with repetition they were able to develop proficiency. Today, even on a baseball team, you have specialization. Each man works intensely to do a single task well, but each member of the team contributes to the whole game.

Nomar's children's children's children, and even many children later, found that with specialization, they could produce more abundantly, but they had to trade to gain the benefits of their increased production, so, they did just that: they traded.

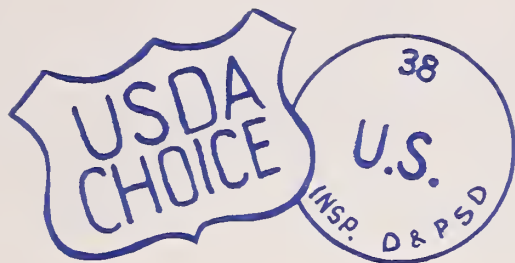
They traded pottery for meat, stone axes for skins, and even ornaments for wives. Here we have the real beginning of trade. They had no money. They just traded or swapped one thing for another. It was simple, but also tough. To obtain a goat, the maker of the clay urn had to locate a shepherd who needed the pottery. However, since the shepherd having an extra goat might have no need for pottery, a trade was impossible.

Then came gold and silver, salt and spices. Nearly everybody wanted some of these things. They became recognized as a medium of exchange. Coins of gold and silver came into being. This was a specialized medium of exchange, which today we know as money.

As trade developed, so did markets. Actually, the markets were a result of specialization. The medieval fairs became the places where each craftsman could display his particular ware. Thus,



* Or No-Mar; derived from "no markets."



in these market places the whole range of products became known to the early world.

However, the intricate and complex system of markets and marketing as we know it today is more recent. Only since the 1900's with the advent of fast and rapid transportation have we seen anything like modern marketing. Today there is more specialization than ever before. Even the areas of agricultural production are centralized. Feed grain production is heavily concentrated in the Central States; wheat in the Great Plains; fruit in California and Florida; tobacco in the Carolinas, Virginia, Kentucky, and Tennessee; cotton in the southern states; wool in the western states and Texas; eggs in the central and northeastern states; milk in the north central and northeastern states; beef and hog production largely in the regions of high grain production.

Kansas wheat is of no use to the housewife in Atlanta who wants to make rolls for dinner. Cattle on an Iowa farm are not prime steaks in Albany. Cotton in an Alabama gin is not a party dress in Boston.

A Concept of Marketing

Normally, we exclude from marketing the manufacturing operations that materially change the shape or form of farm products. It is questionable whether certain operations are really marketing, production, or manufacturing. For example, can the processes involved in making milk into cheese be called marketing?

For our purpose we won't question fine points of definition. We know that even in the complicated manufacturing processes marketing plays an important role in determining how the product shall be presented to its potential customers.

Every marketing man tries to do three things with his product or products: (1) fulfill needs, (2) satisfy wants, (3) stimulate new desires. In this way he and millions of other people concerned with marketing perform services for which they earn wages or income.

Thus, marketing becomes a way to make a living; it's a job to do. Indeed, if you'd ask a milkman why he does his job, his reply would likely be, "To make a living!" But, the *living* comes only as a result of performing specific services that are desired by consumers.

In the marketing of any product there is a common thread of tasks which must be performed to get a product from the producer to the consumer.

Marketing Is a Series of Functions

Here's a list of jobs or functions that must be done in the big job of moving products from the farm to the consumer:

- Assembly and storage
- Transportation
- Standards and grades
- Processing
- Packaging
- Financing and risk-bearing
- Market information
- Sales and service

If you can visualize farming as the performance of jobs like plowing, planting, cultivating, harvesting, feeding, and many other tasks, you can see how marketing can be a program involving many functions. Some authorities expand this list to 30 or more functions. Others may reduce it by one or two. The important thing is to recognize the general functions of marketing rather than argue the exact number of steps required.

Even Nomar, the cave man, performed some of these functions without a market-oriented world. He assembled and often stored food for use later in the year.

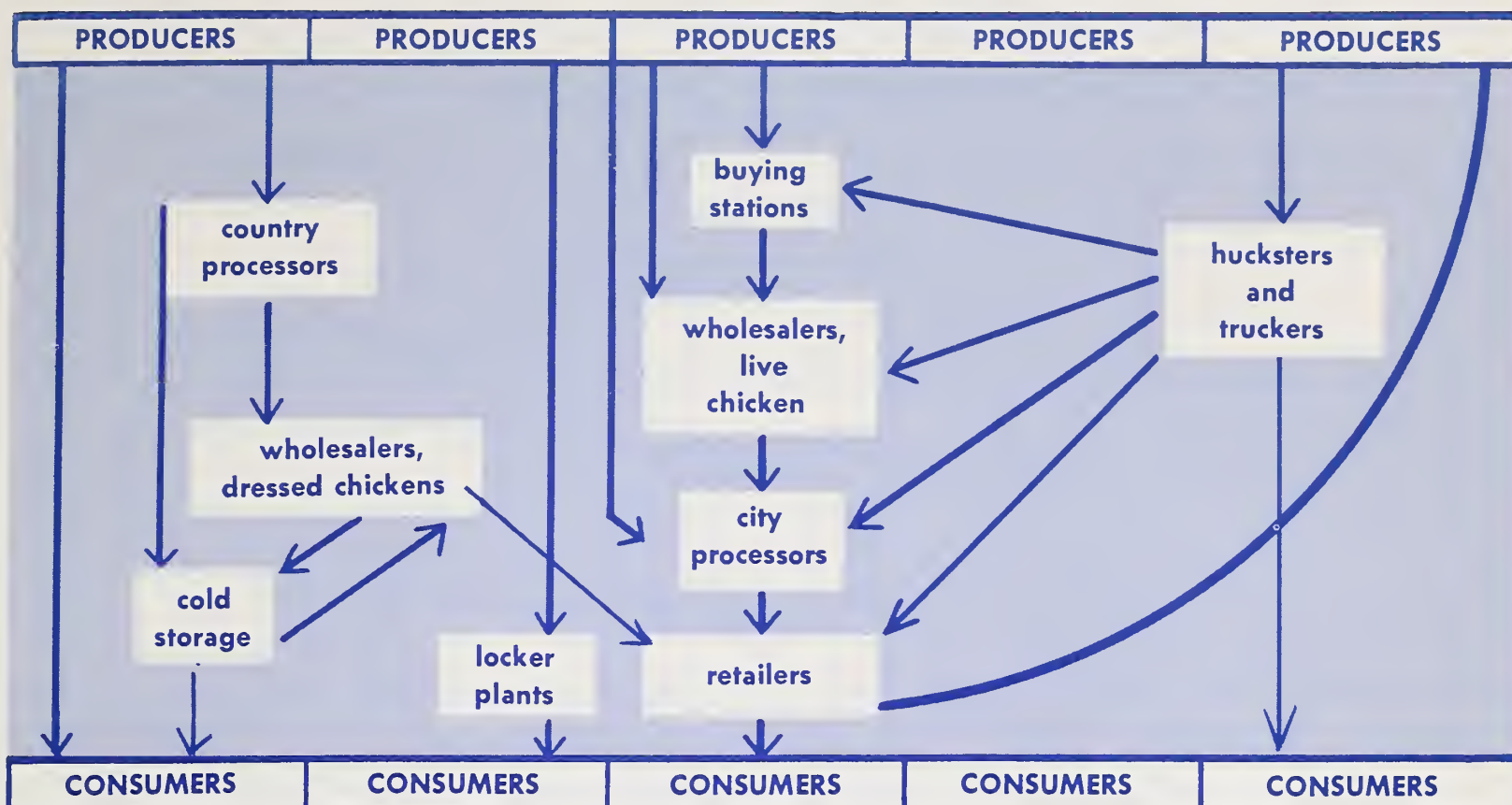
To understand how these functions work in modern marketing, let us consider the hamburger you enjoy at your favorite drive-in.

For our purpose let's consider that the marketing of that hamburger began when the farmer loaded his cattle into a truck and *transported* them to the stockyard or auction. At this point livestock are *assembled* in sufficient numbers to justify meat packers sending buyers to select the type of cattle required to satisfy the wants of their particular markets. At the stock-



yards both *buying* and *selling* occur. Often the cattle are *graded* into prime, choice, good, and utility grades to meet the standards required by the packer. Market news services report sales prices from many stockyards via newspaper, radio, and television. This reporting service provides many people with *information* about market conditions. The buyer will transport again the cattle to the packing plant where they are processed into steaks, hamburger, and many other meat cuts and by-products.

At the packing plant veterinarians of the U. S. Department of Agriculture inspect the meat. You've



seen the purple stamp that sometimes appears on a cut of meat, "U. S. Inspected and Passed."

In order to assure quality, the meat is sold according to grade: prime, choice, or good. The producer may have done some *grading* of his cattle before marketing so that the lot would give a uniform appearance to the various buyers. A packer probably will *store* meat products for several weeks or even for several months.



Not so obvious as some of the other functions is *financing*. Some people are willing to lend money so that many of these marketing functions can be performed more adequately. Financing may be involved at a number of points in the marketing channel, since someone has money invested in the product at each stage from producer to consumer.

The packer sometimes *packages* products to give an attractive appearance, provide handling convenience, and assure protection of the products during marketing. Packaging might be considered as a help in selling, but it also facilitates transportation and handling.

In addition, the packer has salesmen calling on stores, restaurants, butchers, and other outlets. Here again, both *buying* and *selling* take place.

The hamburger is delivered to the drive-in. A few more hours or days of *storage* occur. Meanwhile, the manager of the drive-in will use many types of advertising to stimulate your desire for a tasty hamburger. A flashing neon sign, courteous car hops, and a unique building are all used to create desire, stimulate need, and satisfy a want. When you pay your money for the hamburger, you are involved in the last of many marketing transactions which started with the farmer. Selling you the hamburger is an example of retail sales and service.

Using the hamburger as a simple illustration, you can see that the functions we listed earlier have to be performed one or more times to get any type of goods into the hands of consumers.

While you can eliminate or change the individuals or firms that perform these marketing functions, you cannot eliminate the functions.

Examples of Marketing

Now that we are aware of the job of marketing, let's look at the people, firms, and institutions that perform these functions.

Consider the fried chicken you may have had for dinner. This chicken might have been bought directly from the farmer-producer.

This is the most simple form of marketing. On the other hand, you more likely bought the chicken from a retail store, whose owner might have bought his supply wholesale directly from the producers.

But the flow of chicken from producer to consumer could involve even more business firms or institutions.

The diagram shows the various routes by which chicken might move from producer to consumer.

This diagram is really a map showing marketing channels for chicken. Could you draw a similar map for another commodity?

In other words, the diagram shows most or all of the routes through which a product might flow from producer to consumer. These routes are known as channels of distribution or channels of marketing.

Marketing channels always include the producer and final buyer. The producer himself will often perform one or more marketing functions before delivery to the first handler in the marketing channel. Marketing channels include the middlemen involved between the buyer and seller.

The middlemen include wholesalers, retailers, brokers, and marketing agents of various kinds. Some of the middlemen, such as brokers, never take title to goods they handle; they are paid only for performing certain marketing services. Brokers are important in marketing fresh and processed fruits and vegetables and certain other commodities.

In marketing you must know what services the various middlemen perform. Simply to eliminate a middleman does not assure reduced costs. Actually, many services of the middlemen are required for successful selling. They must be paid for performing these services.

The people and firms that do marketing usually are organized to conduct business transactions. People join together to achieve efficiency in marketing and other economic activities.

Types of Business Organization

Four kinds of teams operate among middlemen. They are:

1. Proprietorship
2. Partnership
3. Corporation
4. Cooperative

Let's consider each of these forms of business organization.

In the *Proprietorship*, one person is the sole owner of the business. He has full responsibility for management and keeps any profits made by the business. He also suffers the losses if the business fails.

The *Partnership* has two or more owners in the business. Profits or losses are divided according to a contract, either verbal or written.

The *Corporation* is a business owned by few or many stockholders. The corporation is considered an artificial person by law. A board of directors elected by the stockholders decides the broad policy of the organization, which is put into effect by the management of the corporation. The management is usually headed by a president and other officers. Stockholders have a voice in management of the firm because they vote for members of the board of directors. One vote usually is cast for each share held.

The *Cooperative* is similar to the corporation in many ways. Usually, it exists to perform marketing or business services for its members and patrons at cost rather than to make direct profit for stockholders. Members own the business and vote in annual meetings. Usually, one vote per member is the rule. Money to start and operate the business is supplied mostly by members and patrons. Members of a cooperative are the ones who use its services, while in a corporation the stockholders are primarily suppliers of capital and not necessarily customers.

Marketing Is a Big Job

The marketing job is big, exciting, and dramatic. During your participation in the Town and Country Business Program, you will study some of the exciting aspects of American business and marketing. You actually will see the system in operation and talk with interesting people who have important roles in its operation.

